



April 14, 2011

An Open Letter to the United States House of Representatives: Support Responsible Budget Resolutions!

Dear Representative:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), I urge you to support the “Honest Solutions” budget resolution drafted by Representative Jim Jordan (R-OH), Chairman of the Republican Study Committee. This fiscal outline builds upon and strengthens the important reforms contained in the “Path to Prosperity” budget resolution introduced by Representative Paul Ryan (R-WI), Chairman of the House Budget Committee. These plans recognize that the true problem our nation’s finances face is overspending, not a lack of taxation. By reforming and reducing spending, the Republican Study Committee and Chairman Ryan are doing what President Obama failed to do in his recent budget proposal: create a sustainable fiscal future while significantly reducing the risk of a crippling debt crisis.

Both resolutions would restructure and shore up Medicare by transitioning from the current blank-check scheme that has ruined its financial condition to a “premium support” model under which expenditures would grow more affordably. With Medicaid, they would convert the program into steadily-growing block grants to better help states pursue innovative care options. When combined with reduced non-defense discretionary spending and fundamental tax reform, these plans would put us back on course to a balanced budget and would gradually ease our staggering debt-to-GDP ratio. In further recognition of demographic and fiscal reality, the RSC’s proposal would phase in an increase of the eligibility age for Social Security and Medicare. Unfortunately, both blueprints leave defense spending largely untouched. NTU continues to believe that carefully trimming defense expenditures is a prudent and necessary move; both packages could be improved by tackling inefficiency and wasteful weapons programs in the Defense Department.

If, as some have suggested in more clever words, we simply do nothing, taxes as a percentage of the economy will have to nearly *double* from traditional levels in order to fund our present entitlement-fueled spending trajectory. Taxes as a percentage of the economy would have to rise from their post-war average of about 18.2 percent to a staggering 34.4 percent by 2080. If we pursue President Obama’s budget outline, we would still have to raise tax revenue to roughly 23 percent of GDP in the near future to reach balance. Considering that the federal government has never once raised more than 21 percent of GDP in revenue (even during World War II), this path is ruinous and unsustainable.

Republican and Democratic Congresses alike, as well as Presidents Bush and Obama, got us into this overspending mess in less than a decade and we believe it is only reasonable to expect to begin cleaning it up within a similar timeframe. That is why NTU supports the RSC plan – which achieves balance at the end of the decade and reduces spending to the historical revenue average of 18 percent of GDP in roughly half that time – as the best outline for the future. However, if the RSC’s legislation does not pass, we strongly urge enactment of the Path to Prosperity legislation as the only other outline to honestly and credibly seek solutions without massive tax hikes.

Chairman Ryan and the Republican Study Committee have proven that not only is it possible to solve our budget challenges without tax increases, it is also achievable while still allowing for steady and manageable growth in our commitments to seniors and the poor. We applaud their efforts and look forward to working with you to secure our fiscal future.

Sincerely,

Vice President of Government Affairs